DEPARTMENT OF HEALTH AND HUMAN SERVICES
HEALTH CARE FINANCING ADMINISTRATION

FORM APPROVED
OMB NO. 0938-0193

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL

FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER: 0 1 — 0 2 3

2. STATE: Iowa

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE
July 1, 2001

5. TYPE OF PLAN MATERIAL *(Check One)*:

☐ NEW STATE PLAN ☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN ☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT *(Separate Transmittal for each amendment)*

6. FEDERAL STATUTE/REGULATION CITATION:
42 CFR 447.252, 447.280

7. FEDERAL BUDGET IMPACT:
a. FFY 01 $ 1,069
b. FFY 02 $ 4,278

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:
Attachment 4.19-D, pages 8 and 9

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT *(If Applicable)*:
Attachment 4.19-D, pages 8 and 9
(MS-00-29)

10. SUBJECT OF AMENDMENT:
Update of reimbursement methodology for intermediate care facilities for people mentally retarded.

11. GOVERNOR'S REVIEW *(Check One)*:
☑ GOVERNOR'S OFFICE REPORTED NO COMMENT
☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL
☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:
Jessie K Rasmussen

13. TYPED NAME:
Jessie K. Rasmussen

14. TITLE:
Director

15. DATE SUBMITTED:
August 30, 2001 8-29-01

16. RETURN TO:
Director
Department of Human Services
Hoover State Office Building
Des Moines, IA 50319-0114

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:
09/05/01

18. DATE APPROVED:
NOV 16 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:
JUL 01 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:
Nanette Foster Reilly

22. TITLE:
Acting ARA for Medicaid & State Operations

23. REMARKS:

cc:
Rasmussen
Anderson
CO

SPA CONTROL
Date Submitted: 08/31/01
Date Received: 09/05/01

FORM HCFA-179 (07-92)

Instructions on Back

Methods and Standards for Establishing Payment Rates for Nursing Facility Services

C. Intermediate Care Facilities for the Mentally Retarded (ICFs/MR)

1. Introduction

Intermediate care facilities for the mentally retarded receive Medicaid reimbursement based on a prospective per diem rate calculated for each facility. These facilities complete a financial and statistical report approved by the Department to report their actual costs.

Accounting procedures, including designation of classes, setting the maximum allowable cost, and setting the inflation and incentive factors also follow.

2. Accounting Procedures

a. Designation of Classes of ICFs/MR

Two classes of providers are recognized. These are "state-owned" and "non-state-owned" (community-based) intermediate care facilities for the mentally retarded. Costs for each class are analyzed separately, but under a common procedure.

b. Maximum Allowable Cost Ceiling

The Department shall pay 100 percent of a facility's cost until such time as there are eight facilities in a class. Upon the inclusion of the eighth facility in a class, the maximum per diem reimbursement shall be determined at a level where 80 percent of the participating facilities are receiving full coverage of their cost. If there are no facilities at the eightieth percentile, the rate is then calculated to the eightieth percentile.

The December 31, 2000, report of "Unaudited Compilation of Various Costs and Statistical Data" shall be the base period for the calculation. This is the compilation of costs from the most current community-based facility cost reports for each participating facility on file as of December 31, 2000, with the exception of those facilities being paid a budgeted rate.

Effective July 1, 2001, the eightieth percentile maximum is established using the December 31, 2000, compilation.

Methods and Standards for Establishing Payment Rates for Nursing Facility Services

C. Intermediate Care Facilities for the Mentally Retarded (ICFs/MR) (Cont.)

2. Accounting Procedures (Cont.)

c. Actual Allowable Cost and Rate Calculation

The actual allowable cost for ICFs/MR is the actual audited reported cost plus the inflation factor and incentive factor.

For community-based ICFs/MR, an occupancy factor is used in determining the actual per diem rate for the facility. Typically the per diem is arrived at by dividing the actual allowable reported costs by total patient days during the reporting period. Total patient days for purposes of rate determination are actual inpatient days or 80 percent of the licensed capacity of the facility, whichever is greater.

Effective July 1, 2001, for ICFs/MR, the owner/administrator compensation limits are $3,312 per month plus $35.33 for each bed over 60, for a maximum compensation not to exceed $4,907 per month.

New community-based ICFs/MR submit a six-month budget to generate an initial reimbursement rate for their first six months of operation. The budgeted financial and statistical reports do not receive inflation or incentive, but are limited to the maximum allowable cost ceiling.

Following six months of operation as a new community-based Medicaid-certified ICF/MR, the facility must submit a report of actual costs. This financial and statistical report is used to establish a rate which may include inflation but does not include an incentive.

The rate computed from this cost report is adjusted to 100 percent occupancy and continues to be subject to the maximum allowable cost ceiling. Business start-up and organization costs are amortized over a five-year period, according to Medicare and Medicaid standards.

All existing community-based facilities must report costs on a standard fiscal year of July 1 to June 30. Only one cost report is submitted per year.

State-owned ICFs/MR continue to submit semiannual cost reports and are not subject to the maximum allowable cost ceiling.